

EASTERNMED FUNDS VCIC PLC
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 APRIL 2016 TO 31
DECEMBER 2016

EASTERNMED FUNDS VCIC PLC

FINANCIAL STATEMENTS

FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

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EASTERNMED FUNDS VCIC PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Athanasios J. Martinos	(appointed on 19 April 2016)
Andreas Theophanous	(appointed on 19 April 2016)
Ioannis Papaioannou	(appointed on 19 April 2016)
Stavros A. Karides	(appointed on 19 April 2016)
Maria Panayi Drakos	(appointed on 19 April 2016)

Secretary:

K and K Secretarial Limited
11 Kyriakou Matsi Street, Nikis Center, 8th floor
1082 Nicosia
Cyprus

Management Company:

Easternmed Asset Management Services Ltd
11 Kyriakou Matsi Street, Nikis Center, 8th floor
1082 Nicosia
Cyprus

Fund Administration:

Fiducitrust Services Limited
66 Acropolis Avenue, Acropolis Tower, 2nd floor
2012 Nicosia
Cyprus

External Auditors:

KPMG Limited
14 Esperidon Street
1087 Nicosia
Cyprus

External Legal Advisers:

Karides & Karides LLC
11 Kyriakou Matsi Street, Nikis Center, 8th floor
1082 Nicosia
Cyprus

Registered office:

48 Themistokli Dervi Avenue
Athienitis Centennial Building, Office 104
1066 Nicosia
Cyprus

Depository:

Bank of Cyprus Public Company Ltd
51 Stasinou Street
1398 Nicosia
Cyprus

Registration number: HE354779

EASTERNMED FUNDS VCIC PLC

FUND BACKGROUND

Introduction

Easternmed Funds VCIC Plc (the "Fund") was incorporated in Cyprus on 19 April 2016 as a public limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The Fund was granted UCITS license No. UCITS 07/78 by the Cyprus Securities and Exchange Commission on 22 March 2016.

The Fund as an umbrella investment company comprises various sub funds each relating to a separate investment portfolio of securities, cash and other assets. Separate classes of shares are issued in relation to the sub funds. The Board of Directors of the Fund may authorise the creation of additional sub funds/share classes in the future.

As of 31 December 2016, there was 1 sub fund active, Easternmed Equities Fund Class A (the 'Sub Fund') and the Fund's investment activities are managed by Easternmed Asset Management Services Ltd (the 'Management Company'), with the administration delegated to Fiducitrust Services Limited (the 'Fund Administrator').

Investment objective

The Fund's objective is to preserve its investors' wealth and to pursue a long-term capital growth strategy subject to moderate volatility with:

- targeted (unlevered) return equal to or higher than 3-month Euribor +5% p.a.
- volatility, generally below relevant equity market benchmarks over the investment horizon
- an investment horizon of 10 plus years

Investment strategy

The Fund's investment strategy is long-term, value-oriented and opportunistic. The Fund invests in highly liquid assets (mainly equities) with emphasis on industries with real rather than intangible assets. While exposures are closely monitored, there is not at any time a strict adherence to commonly used benchmarks. Economic and market risks are closely monitored. Depending on market conditions and to safeguard the interests of shareholders, the investment manager may decide to liquidate the entire portfolio and invest the Fund's assets in cash or cash equivalents securities.

The strategy focuses on portfolio diversification and risk minimization. Risk is assessed on individual investments as well as on a portfolio level.

The Fund is allowed to borrow on a temporary basis up to 10% of its net assets and may use financial derivatives for hedging purposes.

Investment policy

The Fund mainly invests (approximately 65% of its net assets) in listed equities, predominantly large capitalisation, well-established European companies with a recognisable brand name, solid market share and reputable management. Secondly, the Fund may also invest in the US and/or emerging markets. To a limited extent, it may also invest in less liquid mid and small-cap equities. As an indication, European equity may comprise up to 75% of direct equity investments while another 15% may be allocated to the US and 10% to selected Emerging Markets.

The Fund's equity investments focuses on: (a) financial services companies (such as banks and insurance companies) due to their importance to economic development and their ability to adjust profit drivers given market conditions to generate shareholders' returns; (b) companies with a solid real asset base in industries such as energy, materials, real estate, hotels, utilities, etc. Investments in companies with high intangible assets (such as goodwill) relative to their asset base, high risk patent products or heavy reliance to technological innovation will generally be avoided.

The Fund may further invest a minor portion of its asset (approximately 15% of its net assets) in long-only equity funds (UCITS and Other UCIs) to supplement its direct equity investing activities and to diversify its sources of returns. These investments will be made in particular so as to (a) invest in sectors (sector specific funds) where the investment manager does not have the necessary expertise to invest directly (e.g. health care, technology, etc.) and (b) invest in geographies where the investment manager wishes to boost the Fund's exposure and/or add a specialised manager in certain market segments (e.g. US Small/Mid cap).

EASTERNMED FUNDS VCIC PLC

FUND BACKGROUND

The Fund may finally invest part of its net assets in fixed income instruments and cash or cash equivalents (approximately 20% of its net assets). Fixed income securities shall be predominantly investment grade corporates as well as emerging market bonds. Nevertheless the Fund may also invest up to 20% in high-yield paper with a rating no lower than B-. Such securities will be predominantly (a) low duration (1-3 years' maturities) for higher visibility and as a means to mitigate credit and interest rate risk, and (b) denominated in "hard currency" (mostly US Dollars and Euro but also other European currencies such as GBP, NOK, etc. for diversification and/or added yield). Fixed-income securities will be deployed as an alternative to cash, preferably with a higher yield. Bonds will generally be kept until maturity and be sold only when it is believed that the issuer's creditworthiness is severely undermined by market or company specific events.

The Fund does not invest in ABS, MBS and convertible bonds (or contingent convertible bonds).

Benchmark

The Fund is actively run and the returns or investments of the Fund's portfolio are not compared against a benchmark.



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Independent Auditors' Report

To the Members of Easternmed Funds VCIC Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Easternmed Funds VCIC Plc (the "Fund"), which are presented on pages 7 to 29 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the *Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants'* (IESBA Code), and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board Members

N.G. Syrimis, A.K. Christofides, P.G. Loizou, A.M. Gregoriades, D.S. Vakis, A.A. Apostolou,
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis, C.V. Vasiliou, P.E. Antoniadis,
M.J. Halios, M.P. Michael, P.A. Peleties, G.V. Markides, M.A. Papacosta, K.A. Papanicolaou,
A.I. Shiammoutis, G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos,
M.G. Gregoriades, H.A. Karkoulis, G.P. Savva, C.A. Kallias, C.N. Kallis, M.H. Zavrou, P.S. Elia,
M.G. Lazarou, Z.F. Hadjzarchanis, P.S. Theophanous, M.A. Karantoni, C.A. Markides,
G.V. Andreou, J.C. Nicolaou, G.S. Prodromou, A.D. Sofocleous, G.N. Syrimis, T.J. Yiasemides,
A.A. Bargilly, K.A. Christofides, P.P. Vanezis

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P.O. Box 66014, 8330
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Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Fund or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts of Law 2009, L.42(I)/2009, as amended from time to time (“Law 42(I)/2009”), we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Fund, so far as it appears from our examination of these books.
- The Fund’s financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.

Other Matter

This report, including the opinion, has been prepared for and only for the Fund’s members as a body in accordance with Section 34 of Law 42(I)/2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Maria A. Karantoni, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

14 Esperidon Street
1087 Nicosia
Cyprus

26 April 2017

EASTERNMED FUNDS VCIC PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

	Note	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
Revenue		
Dividend income		55.906
Interest income	5	118.181
Net fair value gains on financial assets at fair value through profit or loss	6	<u>1.939.150</u>
Total revenue		<u>2.113.237</u>
Management fees		(51.514)
Depositary fees		(6.104)
Administration fees		(6.432)
Directors' fees		(4.846)
Transaction costs		(67.006)
Auditors' remuneration		(4.760)
Legal fees		(820)
Secretarial fees		(2.850)
Professional fees		(1.012)
Incorporation fees		(11.000)
Licences and annual contributions		(1.402)
Other expenses		<u>(5.009)</u>
Total operating expenses		<u>(162.755)</u>
Operating profit before finance costs		<u>1.950.482</u>
Finance costs	7	<u>(286)</u>
Increase in net assets attributable to holders of investor shares before tax		1.950.196
Tax	8	<u>(1.511)</u>
Increase in net assets attributable to holders of investor shares for the period		<u>1.948.685</u>

The notes on pages 11 to 29 form an integral part of these financial statements.


EASTERNMED FUNDS VCIC PLC

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Note	Easternmed Equities Fund Class A 2016 €
ASSETS		
Financial assets at fair value through profit or loss	11	31.371.620
Cash and cash equivalents	12	<u>10.354.741</u>
Total assets		<u>41.726.361</u>
LIABILITIES		
Balances due to brokers	10	1.747.327
Other payables	14	28.838
Current tax liabilities	15	<u>1.511</u>
		<u>1.777.676</u>
Total liabilities (excluding net assets attributable to holders of investor shares)		<u>1.777.676</u>
Net assets attributable to holders of investor shares		<u><u>39.948.685</u></u>
		<u><u>39.948.685</u></u>

On 26 April 2017 the Board of Directors of Easternmed Funds VCIC Plc authorised these financial statements for issue.


.....
Ioannis Papaioannou
Director


.....
Andreas Theophanous
Director

EASTERNMED FUNDS VCIC PLC

STATEMENT OF NET ASSETS ATTRIBUTABLE TO HOLDERS OF INVESTOR SHARES FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

	Note	Easternmed Equities Fund Class A 2016 €
Increase in net assets attributable to holders of investor shares	13	<u>1.948.685</u>
Contributions and redemptions by holders of investor shares:		
Subscription for Class A investor shares during the period		<u>38.000.000</u>
Total contributions and redemptions by holders of investor shares		<u>38.000.000</u>
Balance at 31 December		<u><u>39.948.685</u></u>

The notes on pages 11 to 29 form an integral part of these financial statements.

EASTERNMED FUNDS VCIC PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

	Note	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets attributable to holders of investor shares before tax		1.950.196
Adjustments for:		
Fair value gains on financial assets at fair value through profit or loss	6	(1.939.150)
Dividend income		(55.906)
Interest income	5	<u>(118.181)</u>
		(163.041)
Changes in working capital:		
Increase in balances with brokers		1.747.327
Increase in financial assets at fair value through profit or loss		<u>(29.432.470)</u>
Increase in other payables		<u>28.838</u>
Cash used in operations		(27.819.346)
Interest received		118.181
Dividends received		<u>55.906</u>
Net cash used in operating activities		<u>(27.645.259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of investor shares	13	<u>38.000.000</u>
Net cash generated from financing activities		<u>38.000.000</u>
Net increase in cash and cash equivalents		10.354.741
Cash and cash equivalents at beginning of the period		<u>-</u>
Cash and cash equivalents at end of the period	12	<u>10.354.741</u>

The notes on pages 11 to 29 form an integral part of these financial statements.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

1. Incorporation and principal activities

Country of incorporation

Easternmed Funds VCIC Plc (the "Fund") was incorporated in Cyprus on 19 April 2016 as a public limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The Fund was granted UCITS license No. UCITS 07/78 by the Cyprus Securities and Exchange Commission on 22 March 2016. Its registered office is at 48 Themistokli Dervi Avenue, Athienitis Centennial Building, Office 104, 1066 Nicosia, Cyprus.

The Fund as an umbrella investment company comprises various sub-funds each relating to a separate investment portfolio of securities, cash and other assets. Separate classes of shares are issued in relation to the sub-funds. The Board of Directors of the Fund may authorise the creation of additional sub-funds/share classes in the future. As of 31 December 2016, there was 1 sub-fund active, Easternmed Equities Fund Class A (the 'Sub-Fund').

The Fund is primarily involved in investing in a highly diversified portfolio of equity securities issued by companies listed on major European stock exchanges and on the New York Stock Exchange (NYSE), investment funds and corporate debt securities, with the objective of providing shareholders with long-term capital growth subject to moderate volatility.

The Fund's investment activities are managed by Easternmed Asset Management Services Ltd (the 'Management Company'), with the administration delegated to Fiducitrust Services Limited (the 'Fund Administrator').

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities at fair value through profit or loss.

Adoption of new and revised IFRSs

During the current period the Fund adopted all the new and revised IFRSs as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 19 April 2016.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the EU and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Fund.

Revenue recognition

- **Net fair value gain on financial assets at fair value through profit or loss**

Net fair value gain from financial assets at fair value through profit or loss includes all realised and unrealised fair value changes, foreign exchange differences but excludes interest and dividend income.

- **Interest income**

Interest on debt securities at fair value through profit or loss is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised gross of withholding tax, if any. Also, interest income from cash and cash equivalents is recognised on a time-proportionate basis using the effective interest method.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

2. Significant accounting policies (continued)

Revenue recognition (continued)

- **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, normally declaration date for final dividends and payment date for interim dividends.

Dividends to holders of investor shares

Dividends to holders of investor shares are recognised in the statement of comprehensive income as finance costs when they are authorised and no longer at the discretion of the Fund. Dividends are subject to the special defense levy applicable to natural persons, whereas legal entities or natural persons who are not tax residents of Cyprus are exempted from the levy.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Fund's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are measured at fair value in a foreign currency are included in profit or loss. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Net foreign exchange gains/(losses) on non-monetary and monetary financial assets and liabilities other than those classified as at fair value through profit or loss are included in the line item net foreign exchange profit in the statement of comprehensive income.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Income from investments held by the Fund may be subject to withholding taxes in jurisdictions other than that of the Fund's as imposed by the country of origin. Withholding taxes, if any, are shown in a separate line item in the statement of comprehensive income.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

2. Significant accounting policies (continued)

Financial assets

(1) Classification

The Fund classifies its investments in equity and debt securities and open-ended investment funds as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are either held for trading or designated by the board of directors at fair value through profit or loss at inception (IAS 39). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Fund's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Fund's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

(2) Recognition, derecognition and measurement

Financial assets and liabilities at fair value through profit or loss are recognised when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned.

Financial assets are derecognised when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Realised gains and realised losses on derecognition are determined using the weighted average cost method and are included in profit or loss for the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income within interest income based on the effective interest rate. Dividend expense on short sales of equity securities is included within other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

At initial recognition financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Interest earned on financial assets at fair value through profit or loss and interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Dividend expense on equity securities sold short are included in the net gain or loss arising on financial assets and financial liabilities measured at fair value through profit or loss.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term investments with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Amounts due to brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet settled at the reporting date.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Fund expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

Investor shares and net assets attributable to holders of investor shares

The Fund has two classes of investor shares in issue: Class A and Class B. Both are the most subordinate classes of financial instruments in the Fund and rank *pari passu* in all material respects and have the same terms and conditions, with the exemption of the subscription, redemption and management fee. As the share classes do not have identical features, these instruments do not meet the definition of puttable financial instruments to be classified as equity in accordance with IAS 32.

Investor shares can be put back into the Fund at any time for cash equal to a proportionate share of the Fund's Net Asset Value ('NAV') attributable to the share class. The investor shares are classified as financial liabilities and are measured at their redemption amounts,

Investor shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of investor shares with the total number of outstanding investor shares for each respective class. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

Proposed distributions to holders of investor shares are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when proposed distribution is ratified at the Annual General Meeting. The distribution on the investor shares is recognised as a finance cost in the statement of comprehensive income.

Income not distributed is included in net assets attributable to holders of investor shares. Movements in net assets attributable to holders of investor shares are recognised in the statement of comprehensive income as finance costs.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

2. Significant accounting policies (continued)

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged.

Events after the reporting period

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part of the whole of the Fund is not appropriate.

3. Financial risk management

Financial risk factors

The Fund is exposed to credit risk, liquidity risk, market risk and operational risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below:

3.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund is exposed to credit risk from its operating activities, primarily from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

At reporting date, the main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivable balances. It is the opinion of the board of directors that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

The board of directors has a documented policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Fund's exposure and the credit ratings of its counterparties are continuously monitored by management. The following table summarises the credit quality of the debt instruments in the portfolio, as rated by well-known rating agencies such as Standard & Poor's approved by the board of directors, or in the case of an unrated debt instrument, the rating as assigned by the board of directors using an approach consistent with that of the respective rating agencies.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Analysis of credit quality on financial assets

Cash and cash equivalents

The Fund's cash and cash equivalents are held mainly with Bank of Cyprus Public Company Ltd, which is rated Caa2 based on Moody's ratings. The investment manager monitors the financial position of Bank of Cyprus Public Company Ltd on a monthly basis.

Investments in debt securities

At 31 December, the Fund invested in corporate debt securities with the following credit quality. The ratings are based on Standard & Poor's ratings.

	Easternmed Equities Fund Class A 2016 €	Easternmed Equities Fund Class A 2016 %
BBB+	545.587	9,36%
BBB-	1.157.645	19,86%
BB+	969.252	16,62%
BB-	1.039.938	17,84%
B+	1.092.899	18,75%
Unrated	1.024.630	17,57%
Total	5.829.951	100,00%

3.1.2 Credit quality of financial assets

The investment manager reviews the credit concentration of debt securities held based on counterparties and industries.

As at the reporting date, the Fund's debt securities exposures were concentrated in the following industries.

	Easternmed Equities Fund Class A 2016 %
Communications	18,75%
Consumer Discretionary	9,36%
Energy	35,41%
Financials	27,73%
Materials	8,75%
	100,00%

3.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the daily settlement of cash redemptions of investor shares. The Fund's investor shares are redeemable at the shareholders' option at any time for cash equal to a proportionate share of the Fund's NAV. The Fund is therefore potentially exposed to redemptions by its shareholders.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

3.2 Liquidity risk (continued)

The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. The Fund's marketable securities and other financial instruments are considered readily realisable, as the majority are listed on the New York and European stock exchanges. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets in investments are not actively traded on a stock exchange. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

The Fund's financial assets include investments in unlisted open-ended investment funds which may not be readily realisable due to lock-up periods, extended withdrawal, notice or settlement periods or in extraordinary cases periods in which redemptions are suspended due to adverse market conditions.

It is the Fund's policy that the investment manager and the board of directors monitor the Fund's liquidity position on a weekly basis.

The following tables detail the Fund's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows.

31 December 2016	Carrying amounts	Contractual cash flows	3 months or less	3-12 months
	€	€	€	€
Accruals	27.352	27.352	20.212	7.140
Other creditors	1.076	1.076	1.076	-
Payables to related parties	410	410	410	-
Balances due to brokers	1.747.327	1.747.327	1.747.327	-
Net assets attributable to holders of investor shares	39.948.685	39.948.688	39.948.688	-
	41.724.850	41.724.853	41.717.713	7.140

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments (other than net assets attributable to the holders of investor shares) do not vary significantly from this analysis. For net assets attributable to the holders of investor shares, the Fund has a contractual obligation to redeem within four working days from the date the application for the redemption of the investor shares is submitted.

3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments.

The Fund's market risk is managed on a monthly basis by the investment manager in accordance with the policies and procedures in place and through diversification of the investment portfolio. The Fund's market positions are monitored on a quarterly basis by the board of directors.

3.3.1 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to financial instruments price risk because of investments held by the Fund and classified on the statement of financial position at fair value through profit or loss. The Fund is not exposed to commodity price risk.

The investment manager manages the Fund's price risk on a monthly basis and through diversification of the investment portfolio. The Fund's overall market positions are monitored on a quarterly basis by the board of directors.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

3.3. Market risk (continued)

Sensitivity analysis

A five percent change in prices is the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in prices.

At 31 December 2016, if prices had been five percent higher with all other variables held constant, the increase in net assets attributable to holders of investor shares for the period would have been €1.564.080 higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by €1.564.080.

If prices had been five percent lower with all other variables held constant the decrease in net assets attributable to holders of investor shares for the period would have been €1.564.080 lower, arising mainly due to the decrease in the fair value of financial assets at fair value through profit or loss by €1.564.080.

3.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk as it invests in listed debt securities bearing interest at both fixed and floating interest rates. Other financial assets exposed to interest rate risk include cash and bank balances which are invested at short term interest rates. The investment manager manages the Fund's exposure to interest rate risk on a monthly basis in accordance with the Fund's investment objectives and policies. The Fund's overall exposure to interest rate risk is monitored on a quarterly basis by the board of directors.

The following table details the Fund's exposure to interest rate risk as at 31 December 2016 by the earlier of contractual maturities or re-pricing:

	Non- interest bearing	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
	€	€	€	€	€	€
Non-interest bearing	25.541.669	-	-	-	-	25.541.669
Floating interest rate debt securities	-	1.043	-	-	154.147	155.190
Fixed interest rate debt securities	-	-	74.566	14.408	5.585.787	5.674.761
Cash and bank balances	-	10.354.741	-	-	-	10.354.741
Total assets	25.541.669	10.355.784	74.566	14.408	5.739.934	41.726.361
Liabilities (excluding net assets attributable to holders of investor shares)						
Non-interest bearing	1.777.676	-	-	-	-	1.777.676
Net assets attributable to holders of investor shares	39.948.685	-	-	-	-	39.948.685
Total liabilities	41.726.361	-	-	-	-	41.726.361

In accordance with the Fund's policies, the investment manager monitors the Fund's overall interest sensitivity on a monthly basis and the board of directors reviews it on a quarterly basis.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

3.3. Market risk (continued)

3.3.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than the Euro. Accordingly, the value of the Fund's assets may be affected favorably or unfavorably by fluctuations in currency rates and therefore the Fund is subject to foreign exchange risks. The Fund undertakes certain transactions denominated in foreign currencies and hence is exposed to the effects of exchange rate fluctuations. The Fund's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities	Assets
	Easternmed	Easternmed
	Equities Fund	Equities Fund
	Class A	Class A
	2016	2016
	€	€
United States Dollars	-	4.083.164
British Pounds	-	4.354.960
Swiss Franc	-	2.777.867
Swedish Krona	-	884.899
Norwegian Krone	852.534	1.702.133
	<u>852.534</u>	<u>13.803.023</u>

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2016 would have increased (decreased) net assets attributable to holders of investor shares by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on net assets attributable to holders of investor shares.

	Net Assets
	Easternmed
	Equities Fund
	Class A
	2016
	€
United States Dollars	408.316
British Pounds	435.496
Swiss Franc	277.787
Swedish Krona	88.490
Norwegian Krone	84.960
	<u>1.295.049</u>

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

3.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures
- requirements for:
 - appropriate segregation of duties between various functions, roles and responsibilities
 - reconciliation and monitoring of transactions
 - periodic assessment of operational risk faced
- the adequacy of controls and procedures to address the risks identified
- compliance with regulatory and other legal requirements
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance if this is effective

The directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers and a review of the service providers' Service Organisation Controls (SOC) 1 reports on internal controls, if any are available.

Substantially all of the assets of the Fund are held by Bank of Cyprus Public Company Ltd (the 'Depositary'). The bankruptcy or insolvency of the Fund's Depositary may cause the Fund's rights with respect to the securities held by the Depositary to be limited. The investment manager monitors the credit ratings and capital adequacy of its Depositary on a monthly basis, and reviews the findings documented in the SOC 1 report on the internal controls annually.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

3.5 Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value. The price used is not adjusted for transaction costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, making the maximum use of observable inputs and relying as little as possible on unobservable inputs.

For instruments for which there is no active market, the Fund may also use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

Fair value measurements recognised in statement of financial position

The level of the fair value hierarchy of an instrument is determined considering the inputs that are significant to the entire measurement of such instrument and the level of the fair value hierarchy within which those inputs are categorised.

The fair value hierarchy categorises inputs into the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

3. Financial risk management (continued)

The following table provides an analysis of financial instruments measured at fair value at the period end date by the level in the fair value hierarchy into which the fair value measurement is categorised. All these fair value measurements are recurring.

31 December 2016	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets designated at fair value through profit or loss at inception:				
Equity securities				
Financials	7,374,228	-	-	7,374,228
Materials	5,045,041	-	-	5,045,041
Energy	3,019,478	-	-	3,019,478
Utilities	1,875,950	-	-	1,875,950
Consumer Staples	1,592,597	-	-	1,592,597
Technology	1,445,949	-	-	1,445,949
Industrials	1,434,629	-	-	1,434,629
Health Care	866,375	-	-	866,375
Communications	851,832	-	-	851,832
	<u>23,506,079</u>	-	-	<u>23,506,079</u>
Listed open-ended investment funds				
Health Care	969,960	-	-	969,960
	<u>969,960</u>	-	-	<u>969,960</u>
Unlisted open-ended investment funds				
Health Care	-	1,065,630	-	1,065,630
	-	<u>1,065,630</u>	-	<u>1,065,630</u>
Debt securities				
Energy	2,064,568	-	-	2,064,568
Financials	1,616,687	-	-	1,616,687
Communications	1,092,899	-	-	1,092,899
Consumer Discretionary	545,587	-	-	545,587
Materials	510,210	-	-	510,210
	<u>5,829,951</u>	-	-	<u>5,829,951</u>
Total	<u>30,305,990</u>	<u>1,065,630</u>	-	<u>31,371,620</u>

Valuation techniques and the inputs used for the fair value measurements categorised within Level 2 of the fair value hierarchy is given below:

Unlisted open-ended investment funds

The Fund invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Fund's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also given to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classifies these funds as either Level 2 or Level 3.

There were no transfers between Level 1 and Level 2 in the period.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Fund's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Interest income

Interest income is analysed as follows:

	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
Cash and cash equivalents	978
Listed debt securities designated as at fair value through profit or loss	<u>117.203</u>
	<u>118.181</u>

6. Net gain from financial instruments at fair value through profit or loss

Net gain from financial assets designated at fair value through profit or loss is analysed as follows:

	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
Equity securities	1.852.259
Listed open-ended investment funds	(28.305)
Unlisted open-ended investment funds	4.781
Debt securities	<u>110.415</u>
	<u>1.939.150</u>

The gain from financial instruments at fair value through profit or loss represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period and its carrying amount at the end of the reporting period.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

7. Finance costs

	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
Sundry finance expenses	286
	<u>286</u>

8. Tax

	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
Corporation tax - current period	1,511
Charge for the period	<u>1,511</u>

The tax on the Fund's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	Easternmed Equities Fund Class A 19/04/2016 - 31/12/2016 €
Increase in net assets attributable to holders of investor shares before tax	<u>1,950,196</u>
Applicable tax rates	12,50
Tax calculated at the applicable tax rates	243,775
Tax effect of expenses not deductible for tax purposes	12,800
Tax effect of allowances and income not subject to tax	(255,201)
10% additional charge	<u>137</u>
Tax charge	<u>1,511</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defense contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17%.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

9. Classification and fair values of financial assets and liabilities

The table below provides a reconciliation of the line items in the Fund's statement of financial position to the categories of financial instruments.

	Designated at fair value €	Loans and receivables €	Total €
Cash and cash equivalents	-	10.354.741	10.354.741
Financial assets at fair value through profit or loss	31.371.620	-	31.371.620
Total	31.371.620	10.354.741	41.726.361
		Other financial liabilities €	Total €
Balances due to brokers		1.747.327	1.747.327
Other payables		1.486	1.486
Net assets attributable to holders of investor shares		39.948.685	39.948.685
Total		41.697.498	41.697.498

10. Balances due to brokers

	Easternmed Equities Fund Class A 2016 €
Balances due to brokers	
Purchases awaiting settlement	<u>1.747.327</u>
	<u>1.747.327</u>

During the period, two acquisitions of equity securities took place which were not settled prior to the year end. Both acquisitions were settled in January 2017.

The exposure of the Fund to liquidity risk in relation to balances due to brokers is reported in note 3 of the financial statements.

11. Financial assets at fair value through profit or loss

	Easternmed Equities Fund Class A 2016 €
Balance at 19 April	-
Additions	29.432.470
Change in fair value	<u>1.939.150</u>
Balance at 31 December	<u>31.371.620</u>

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

11. Financial assets at fair value through profit or loss (continued)

Financial assets designated as at fair value through profit or loss are analysed as follows:

	Easternmed Equities Fund Class A 2016 €
Financial assets at fair value through profit or loss	
Equity securities	23.506.079
Listed open-ended investment funds	969.960
Unlisted open-ended investment funds	1.065.630
Debt securities	<u>5.829.951</u>
	<u><u>31.371.620</u></u>

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices or over the counter prices. The fair value estimation of the financial assets at fair value through profit or loss is disclosed in note 3.

In the statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The exposure of the Fund to market risk in relation to financial assets is reported in note 3 of the financial statements.

12. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	Easternmed Equities Fund Class A 2016 €
Cash at bank	<u>10.354.741</u>
	<u><u>10.354.741</u></u>

Cash and cash equivalents by currency:

	Easternmed Equities Fund Class A 2016 €
United States Dollars	55.311
Euro	9.425.373
British Pounds	23.756
Norwegian Krone	<u>850.301</u>
	<u><u>10.354.741</u></u>

The exposure of the Fund to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

13. Net assets attributable to holders of investor shares

Investor shares

The Fund was set up with authorised share capital of 500.000.000 investor shares, no fractions of a share are recognised and each share represents the same percentage holding in the overall assets. The price of each investor share in the Fund, at the time of incorporation, was set at €100, with euro as reference currency.

The initial issued share capital of the Fund is 2.000 investor shares issued at the price of €100 each.

Investor shares are classified into Class A investor shares and Class B investor shares. The rights and obligations of the two share classes are identical, with the exemption of the subscription, redemption and management fee charge.

The Minimum Holding and Minimum Initial Subscription required for Class A investor shares is €800.000 and the Minimum Additional Subscription required for Class A investor shares is €500.000. The Minimum Holding, Minimum Initial Subscription and Minimum Additional Subscription required for Class B investor shares is €5.000. These minimum initial and additional subscription amounts may be reduced or increased, at the discretion of the Fund, whenever the Fund considers it reasonable or appropriate, taking into consideration the diversification of shareholders and other factors and subject to the provisions for amendment to the instruments of incorporation of the Fund.

	Easternmed Equities Fund Class A 2016 Number of shares	Easternmed Equities Fund Class A 2016 €
Issued and fully paid		
Increase in net assets attributable to holders of investor shares	-	1.948.685
Issue of investor shares during the period	<u>359.442</u>	<u>38.000.000</u>
Balance at 31 December	<u><u>359.442</u></u>	<u><u>39.948.685</u></u>

The rights attaching to the investor shares are as follows:

- The shares may be redeemed daily at the net asset value per share of the respective class
- The shares carry a right to receive notice of, attend and vote at general meetings
- The holders of investor shares are entitled to receive all dividends declared and paid by the Fund. On winding-up, the holders are entitled to a return of capital based on the net asset value per share of their respective classes and if applicable to the class the subscription, and redemption fee.

14. Other payables

	Easternmed Equities Fund Class A 2016 €
Accruals	27.352
Other creditors	1.076
Payables to related companies (Note 16.3)	<u>410</u>
	<u><u>28.838</u></u>

The exposure of the Fund to liquidity risk in relation to financial instruments is reported in note 3 of the financial statements.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

15. Current tax liabilities

	Easternmed Equities Fund Class A 2016 €
Corporation tax	1.511
	<u>1.511</u>

16. Related party balances and transactions

The related party balances and transactions are as follows:

16.1 Investment manager

The Fund has appointed Management Company to provide management services pursuant to a management agreement dated 9 June 2016. Under the terms of the agreement the Fund pays the investment manager 0,50% per annum for Class A investor shares and 1% per annum for Class B investor shares of the average net asset value of the Fund for the relevant fiscal year, for managing the Fund. The management fee is computed daily on the daily value of the Fund's net assets and is paid by debiting it from the Fund at the end of each month. The management fee includes fees to enable the Management Company to perform its tasks and functions, or to provide services, irrespective of whether those functions is carried out by the Management Company itself or have been outsourced to third parties.

Management fees for the period ended 31 December 2016 totaled €51.514 and are presented in the statement of comprehensive income. The amount outstanding at the period end is €12.233 and it is included in other payables.

At 31 December 2016, 10.000 Class A investor shares were held by the investment manager.

16.2 Directors' remuneration

Directors' fees paid during the period ended 31 December 2016 totaled €4.846 and are presented in the statement of comprehensive income. The amount outstanding at the period end is €2.143 and it is included in accruals. Directors' remuneration consisted of only fixed directors' fees and no other staff costs are paid by the Fund.

16.3 Payables to related parties (Note 14)

<u>Name</u>	<u>Nature of transactions</u>	Easternmed Equities Fund Class A 2016 €
Easternmed Asset Management Services Ltd	Other	410
		<u>410</u>

The payables to related parties were provided interest free, and there was no specified repayment date.

17. Other key contracts

The Fund has appointed the Administrator to provide administrative services pursuant to an administration agreement dated 9 June 2016. Under the terms of the agreement the Fund pays the administrative agent 0,05% per annum of the average net asset value of the Fund for the relevant fiscal year, with a floor of €12.500 and a ceiling of €50.000 per annum. The administration fee is computed daily on the daily value of the Fund's net assets and is billed at the end of each month. Administrative fees for the period ended 31 December 2016 totaled €6.432 and are presented in the statement of comprehensive income. The amount outstanding at the period end is €1.223 and it is included in accruals.

EASTERNMED FUNDS VCIC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

17. Other key contracts (continued)

The Fund has appointed the Depositary to provide depositary services pursuant to a depositary agreement dated 9 June 2016. Under the terms of the agreement the Fund pays the depositary 0.05% per annum of the average net value of the Fund's assets held by the Depositary during the relevant fiscal year with a minimum fee of €2,500 per quarter. The Depositary's fee is computed daily on the daily valuation of the net assets held by the Depositary and billed at the end of each quarter. This fee includes Depositary fees which may be payable to third parties who undertake to safeguard all or part of the assets of the Fund on the basis of outsourcing arrangements. Depositary fees for the period ended 31 December 2016 totaled €6,104 and are presented in the statement of comprehensive income. The amount outstanding at the period end is €3,211 and it is included in accruals.

18. Contingent liabilities

The Fund had no contingent liabilities as at 31 December 2016.

19. Commitments

The Fund had no capital or other commitments as at 31 December 2016.

20. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

EASTERNMED FUNDS VCIC PLC

SCHEDULE OF INVESTMENTS - UNAUDITED FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

	Easternmed Equities Fund Class A Fair value 19/04/2016 - 31/12/2016 €	Easternmed Equities Fund Class A Percentage of net assets 19/04/2016 - 31/12/2016 %
ASSETS		
Equity securities, listed		
NYSE and European exchange-traded equity securities:		
120.000 shares in Prudential Plc	2.281.063	5,71%
60.000 shares in LafargeHolcim Ltd	2.994.900	7,50%
25.000 shares in Veolia Environment SA	404.375	1,01%
105.000 shares in Suez SA	1.471.575	3,68%
82.000 shares in Axa SA	1.966.770	4,92%
40.642 shares in Total SA	1.980.078	4,96%
20.000 shares in Rio Tinto Plc	737.812	1,85%
86.000 shares in BHP Billiton Plc	1.312.329	3,29%
158.000 shares in Telefonaktiebolaget LM Ericsson	884.899	2,22%
4.000 shares in Roche Holding AG	866.375	2,17%
40.000 shares in Royal Dutch Shell Plc	1.039.400	2,60%
100.000 shares in Tsakos Energy Navigation Ltd	444.929	1,11%
100.000 shares in ING Groep NV	1.337.000	3,35%
7.000 shares in Capgemini SA	561.050	1,40%
60.000 shares in UBS Group AG	891.145	2,23%
15.000 shares in Nestle SA	1.020.347	2,55%
25.000 shares in Carrefour SA	572.250	1,43%
30.000 shares in Royal Boskalis Westminster NV	989.700	2,48%
5.000 shares in Muenchener Rueckversicherungs-Gesellschaft AG	898.250	2,25%
60.000 shares in Telenor ASA	851.832	2,13%
Total equity securities, listed	23.506.079	58,84%
Open-ended investment funds, listed		
European exchange-traded open-ended investment funds:		
13.700 units iShares STOXX Europe 600 Health Care UCITS ETF (DE)	969.960	2,43%
Total open-ended investment funds, listed	969.960	2,43%

EASTERNMED FUNDS VCIC PLC

SCHEDULE OF INVESTMENTS - UNAUDITED FOR THE PERIOD FROM 19 APRIL 2016 TO 31 DECEMBER 2016

	Easternmed Equities Fund Class A Fair value 19/04/2016 - 31/12/2016 €	Easternmed Equities Fund Class A Percentage of net assets 19/04/2016 - 31/12/2016 %
Open-ended investment funds, unlisted		
Unlisted open-ended investment funds:		
32.287,43 units BlackRock Global Funds - World Healthscience Fund D2	<u>1.065.630</u>	2,67%
Total open-ended investment funds, unlisted	1.065.630	2,67%
Debt securities		
NYSE, Asia and European exchange-traded debt securities:		
Petrobras Global Finance BV 2,75% 15/01/2018	1.039.938	2,60%
OTE Plc 7,875% 07/02/2018	1.092.899	2,74%
Commerzbank AG 2,681% 30/03/2018	155.190	0,39%
Hellenic Petroleum Finance Plc 8% 10/05/2017	1.024.630	2,56%
Volkswagen International Finance NV 2,125% 20/11/2018	545.587	1,37%
Barclays Bank Plc 6,05% 4/12/2017	492.245	1,23%
Vale Overseas Limited 5,625% 15/9/2019	510.210	1,28%
Bank of India London 3,625% 21/9/2018	<u>969.252</u>	2,43%
Total debt securities	5.829.951	14,59%
Total investments	31.371.620	78,53%
Cash and cash equivalents	10.354.741	25,92%
Other assets in excess of other liabilities and equity	<u>(1.777.676)</u>	<u>(4,45)%</u>
Total net assets	<u>39.948.685</u>	<u>100,00%</u>